

## Message Text

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ACTION EA-12

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CINCPAC

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E.O. 11652: N/A  
TAGS: PGOV, KS  
SUBJ: APARTMENT SCANDAL - PROSECUTOR'S FINDINGS

REF: SEOUL 6164 AND PREVIOUS

1. SUMMARY: ON JULY 14 PROSECUTOR ANNOUNCED BRIBERY CHARGES AGAINST SIX PERSONS CONNECTED WITH APARTMENT SCANDAL AND LISTED 59 OTHERS AS HAVING ENGAGED IN SPECULATIVE ACTIVITY. WITH EXCEPTION OF THREE NATIONAL ASSEMBLYMEN AND ONE ASSISTANT MINISTER, HIGH-RANKING OFFICIALS ARE NOTICEABLE BY THEIR ABSENCE IN PROSECUTOR'S FINDINGS. ALTHOUGH NDP AND MANY INFORMED CITIZENS MAY CONCLUDE "THE BIG FISH GOT AWAY" AGAIN, PROSECUTOR'S ACTION (LIMITED THOUGH IT APPEARS TO BE) SO FAR SEEMS SUFFICIENT TO ALLOW ROKG TO RIDE OUT THE STORM WITH MINIMAL DAMAGE. END SUMMARY.

2. SEOUL DISTRICT PROSECUTOR'S OFFICE MADE PUBLIC ON JULY 14 RESULTS OF ITS TEN-DAY INVESTIGATION OF APARTMENT SCANDAL. FIVE PEOPLE WERE ARRESTED AND ONE PERSON IS BEING SOUGHT ON BRIBERY CHARGES; THREE NATIONAL ASSEMBLYMEN, 26 GOVERNMENT OFFICIALS, AND 30 NON-OFFICIALS WERE IDENTIFIED AS HAVING OBTAINED APARTMENTS FOR SPECULATIVE PURPOSES.  
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3. PROSECUTOR ALLEGED THAT KWAK HU-SOP, SECOND VICE MAYOR OF SEOUL, AND KIM CHIN-SU, SEOUL HOUSING ADMINISTRATION SUB-SECTION CHIEF, RECEIVED OPPORTUNITY TO PURCHASE APARTMENTS IN RETURN FOR THEIR DECISION TO ALLOW HYUNDAI SUBSIDIARY (KOREA URBAN DEVELOPMENT--KUD) TO BYPASS LOTTERY SYSTEM OF APARTMENT ALLOCATION ON PREMISE IT

WOULD SELL APARTMENTS ONLY TO HYUNDAI EMPLOYEES. TWO OFFICERS OF STATE-RUN KOREA HOUSING BANK ALLEGEDLY HELPED KUD OBTAIN LOANS FOR APARTMENT PROJECT AND SUBSEQUENTLY OBTAINED APARTMENTS. CHUNG MONG-KU, PRESIDENT OF KUD, AND HIS MANAGING DIRECTOR WERE ARRESTED FOR HAVING THUS BRIBED GOVERNMENT OFFICIALS.

4. OF SEVEN NATIONAL ASSEMBLYMEN QUESTIONED, PROSECUTOR CITED ONLY THREE (HAN BYUNG-CHAE AND KIM MYONG-YUN OF NDP, AND PARK SAM-CHOL OF DRP) AS HAVING ENGAGED IN SPECULATIVE ACTIVITIES. LEE BUM-JUN AND KIM CHIN-BO (YUCHONG-HOE) AND PARK CHU-HYON AND O JAE-DO (INDEPENDENTS) WERE CLEARED BY PROSECUTOR WHO CONCLUDED THEY BOUGHT THE APARTMENTS TO LIVE IN. YUK IN-SU (DRP AND PRESIDENT'S BROTHER-IN-LAW) WAS ALSO CLEARED BY PROSECUTOR, WHO ANNOUNCED YUK'S SON-IN-LAW ACTUALLY PURCHASED APARTMENT IN QUESTION WHILE YUK WAS OUT OF COUNTRY. ON JULY 18 PARK SAM-CHOL'S RESIGNATION FROM THE DRP WAS ACCEPTED BY DRP DISCIPLINARY COMMITTEE; NDP'S DISCIPLINARY COMMITTEE WILL MEET IN NEAR FUTURE TO CONSIDER ACTION AGAINST ITS MEMBERS.

5. HIGHEST RANKING OF 26 GOVERNMENT OFFICIALS CITED BY PROSECUTOR IS KIM SON-KIL, ASSISTANT MINISTER FOR INDUSTRY, MCI. PROSECUTOR ANNOUNCED THESE 26 OFFICIALS WOULD BE ADVISED TO RESIGN -- MOST HAD DONE SO BY JULY 15. LIMITED OFFICIAL USE

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PRESS REPORTS SOURCES AT MINISTRY OF GOVERNMENT ADMINISTRATION SAID NO FURTHER ACTION (WARNING LETTERS HAD PREVIOUSLY BEEN SENT) WILL BE TAKEN AGAINST OTHER OFFICIALS WHO OBTAINED APARTMENTS BUT WERE NOT FOUND TO HAVE ENGAGED IN SPECULATIVE ACTIVITY.

6. ALL OF REMAINING IMPORTANT/HIGH-RANKING OFFICIALS QUESTIONED BY PROSECUTOR AND/OR CONTAINED ON ORIGINAL BLUE HOUSE LIST OF THOSE UNDER INVESTIGATION WERE ABSENT FROM PROSECUTOR'S LIST OF JULY 15. FIVE DAYS HAVE PASSED SINCE ANNOUNCEMENT, AND IT APPEARS UNLIKELY PROSECUTOR WILL MAKE FURTHER PUBLIC DISCLOSURE OF ITS INVESTIGATION.

7. NDP'S YI CH'OL-SUNG ISSUED STRONG STATEMENT DENOUNCING PROSECUTOR'S FINDINGS, PARTICULARLY THE CLEARING OF HIGH-RANKING OFFICIALS. YI LIKENED THE PROSECUTOR'S INVESTIGATION TO "HAVING A CAT KEEP A FISH STORE". NDP'S DEMAND FOR SPECIAL NATIONAL ASSEMBLY INVESTIGATION OF SCANDAL HAS YET TO BE ACCEPTED BY RULING PARTY. NDP PROMISED JWCWWRUEQGA##EDITION OF ITS PARTY NEWSPAPER WITH DETAILS OF SCANDAL AND LIST OF NAMES ORIGINALLY INVOLVED.

HOWEVER, PUBLICATION HAS BEEN DELAYED, AND IT REMAINS TO BE SEEN HOW MUCH THE GOVERNMENT WILL ALLOW TO BE PRINTED.

8. SELECTED PAPERS RAN EDITORIAL CRITICAL OF PROSECUTOR'S FINDINGS. TONGA ILBO (LEADER IN PUBLICIZING THE SCANDAL, ALTHOUGH NOT DIRECTLY LABELLING THE FINDING A COVERUP, SAID INVESTIGATION "LEFT SOMETHING TO BE DESIRED...THE PROSECUTION FAILED TO DIG INTO THE CASE DEEPLY ENOUGH WHEN IT HIT THOSE WITH POWER OR MONEY."

9. SO FAR, LIMITED DISCLOSURE OF SCANDAL AND SMALL NUMBER OF MINOR OFFICIALS REMOVED FROM THEIR POSTS, ALTHOUGH PROBABLY NOT SEEN AS FULL EXTENT OF SCANDAL BY CONCERNED AND KNOWLEDGEABLE KOREANS, HAS PUT AT LEAST LIMITED OFFICIAL USE

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TEMPORARY LID ON SCANDAL. TONGA ILBO MAY BE RIGHT WHEN IT EDITORIALIZED, "THE GREATEST LESSON IT TEACHES US IS THAT MORAL SENSE HAS BECOME SO NUMB THAT PEOPLE DO NOT FEEL CORRUPTION VERY KEENLY THESE DAYS".  
GLEYSTEN

NOTE BY OC/T: ##AS RECEIVED.

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## Message Attributes

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Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014